



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0092
916-323-8690 • FAX 916-322-4530
www.boe.ca.gov

BETTY T. YEE
First District, San Francisco

MICHELLE STEEL
Third District, Rolling Hills Estates

JEROME E. HORTON
Fourth District, Los Angeles

JOHN CHIANG
State Controller

BARBARA ALBY
Acting Member
Second District, Sacramento

KRISTINE CAZADD
Interim Executive Director

December 28, 2010

VIA INTERNET

Dear Interested Party:

The Audit Manual (AM) is a guide for the Board of Equalization (BOE) staff in conducting tax and fee audits. It is available to the public and can be accessed from the BOE web page at <http://www.boe.ca.gov/sutax/staxmanuals.htm>.

The attached revisions to AM Chapter 3, *Audit Working Papers*, update section 0306.00 regarding procedures for saving electronic audit working papers. If you have any comments or suggestions related to the proposed revisions to AM section 0306.00, you may contact the BOE at AM.RevisionSuggestions@boe.ca.gov. Your comments or suggestions must be received by BOE no later than **February 28, 2011** in order to be considered by staff. Thank you for your consideration.

Sincerely,

Susanne Buehler, Acting Chief
Tax Policy Division
Sales and Use Tax Department

E-file now, find out how . . . www.boe.ca.gov



ELECTRONIC AUDIT WORKING PAPERS

0306.00

GENERAL

0306.05

All audits in process ~~will~~must be backed up to ~~the a-designated location~~J:\ drive on the Local Area Network (LAN). ~~Each~~The auditor is responsible for backing up audit working papers (AWPs) to the LAN on a weekly basis. ~~The network's J:\ drive has been identified for this purpose.~~ This procedure ensures the data can be restored in ~~case of~~the event ~~an~~ equipment failure ~~occurs~~. In addition, ~~it provides the audit supervisors~~ is provided the ability to review ~~the AWP~~work due to taxpayer contact, and audit issues, ~~and as well as~~ address auditor performance issues. If a weekly backup is not practical, ~~the~~ auditors ~~should~~must ~~make~~inform their supervisors and discuss alternative arrangements ~~with their supervisors~~.

NAMING CONVENTION

0306.10

As a general rule, audits should be saved using the format "case ID_Taxpayer_Name" as the file name (e.g. 654321_Jane_Doe). The addition of letter designators for multiple workbooks, account names or numbers, etc. are acceptable for clarification or identification as long as the case ID_Taxpayer_Name is maintained as part of the filename. In those instances where a case ID does not exist, the seller's permit number should be used as the primary form of file identification followed by the taxpayer's name. To maintain organization in the designated "Audits" portion of the SUTD LAN, the auditor should create a folder for each audit using the case ID naming convention and save all related electronic AWPs and "Upload" files in the ~~appropriate~~respective folder.

AUDITOR RESPONSIBILITIES

0306.15

When the auditor has completed their work on an audit and the completed audit is ready for upload to IRIS, the audit folder and its contents ~~must~~will be moved ~~(not copied)~~ to the "Audit_Control_Inbox" on the LAN. If an audit is returned to the auditor for modification or correction, it must be moved from the "Go-Back" folder to the auditor's J:\ drive. The auditor should resubmit the audit through the normal process once the revisions are complete.

AUDIT CONTROL RESPONSIBILITIES

0306.20

~~Audit control staff will move the audit upload file from the "inbox" folder to an "Upload" location on the LAN and move (not copy)~~When review is complete and the audit has been transmitted, the audit control staff must move the audit folder from the "Audit Control iInbox" folder ~~folder~~ to the "Audits_Transmitted" folder on the LAN for archiving. For those occasions where an audit is not immediately ready to be moved from the "_Audit_Control_Inbox" to the "Audits_Transmitted" folder, ~~for archiving~~, there is an "Audits_Pending" folder. The audit control staff should remove audit folders from the ~~i~~Pending folder when it is determined the audit needs to be held for a period of time and not transmitted for some ~~time~~reason. If the audit needs to be returned to the auditor for any reason, the audit control staff will move the audit folder to the "Go-Back" folder.

LAN COORDINATOR RESPONSIBILITIES

0306.25

The District LAN Coordinator (or a designee) ~~will burn~~ the contents of the prior months "Audits Transmitted" folder to a CD at least once a quarter on the ~~first Tuesday 15th~~ of the month or as soon as possible thereafter. A backup of ~~the archived audits~~ this CD ~~will also be~~ created resulting in two archive CDs created during each backup session. Once the data on the archive CDs has been verified, the information in the "Audits Transmitted" ~~audits~~ folder ~~will~~ should be deleted by the LAN Coordinator to preserve LAN space. Files may be archived more frequently but data from the "Audits Transmitted" folder should not be purged more frequently than the ~~first Tuesday 15th day~~ of each month to ensure proper data backup.

The Technology Services Department ~~Division~~ (TSD) runs a monthly backup of the LAN data on the last Friday of every month ~~except~~ when that Friday is the last business day of the month. When the last business day falls on a Wednesday or Thursday any other day, ~~For those exceptions,~~ TSD ~~will~~ runs the monthly backup on the first Friday of the following month ~~that week~~. In the event the backup is not successful, TSD notifies the SUTD Systems Coordinators. Backup tapes are maintained by TSD for a period of at least two years. This provides ~~D~~district ~~O~~ffices with an additional source of data recovery should both the primary and backup archive ~~disks~~ CDs become corrupted or damaged. In the event LAN Coordinators encounter a lack of adequate space on the LAN, they should immediately contact a Systems Coordinator or the ~~Supervisor Administrator, of Compliance and the Tax Policy Division's~~ Technology Unit ~~Section~~.

STORAGE OF CDS

0306.30

The policy for the storage of the CD media is at the District Administrator's ~~should set the policy for their offices governing the storage of the CD Media~~ discretion. However, Tthe following guidelines are provided to aid ~~each district~~ offices in creating a storage policy and are not meant to be all-inclusive:

- A priority should be given to information security. The same precautions given to secure hard copies of confidential taxpayer data (e.g. tax returns and applications for seller's permits) should be applied to the archive CDs. Districts ~~s~~ offices may consider securing the CDs with other software disks required to be controlled within each office.
- The audit archive CD and its backup should be stored in separate locations. This should minimize external factors affecting the archive CDs (e.g. heat, moisture, etc.).

~~The length of retention for a~~ Archived ~~E~~lectronic AWP ~~s should~~ must be retained indefinitely. ~~follow existing policies~~ Thefor retention policy of thefor hard copies of the AWP is addressed in ~~(see AM section 0117.02).~~